

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Redevelopment Agency (Agency) of the City of Chula Vista, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The Agency is a blended component unit of the City. The Agency was created by the City of Chula Vista City Council (City Council) in October 1972. The City Manager acts as the Agency's Executive Director and the City Council acts as the governing commission, which exerts significant influence over its operations. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Bayfront/Town Centre I Project encompasses approximately 775 acres; its general objective is to redevelop the Bayfront area and the central business district. The goal of the Town Centre II Project, which consists of approximately 212.5 acres in the central area of Chula Vista, is to revitalize the area into a principal regional shopping center. The Otay Valley Road Project area, comprising approximately 770 acres, was created to establish and upgrade infrastructure capital improvements for the promotion of industrial development. The Southwest Project area, comprising approximately 1,100 acres, was created to upgrade the commercial, industrial, residential properties and rights-of-way at a more rapid pace than would occur without a redevelopment plan.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds, and advances from the City.

B. Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial requirements.

C. Government - Wide Financial Statements

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency accompanied by a total column. The Agency does not have any business-type activities, therefore only governmental activities are reported.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Government - Wide Financial Statements, Continued

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the Agency activities and City, which are presented as internal balances and eliminated in the total primary government column.

D. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Agency has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are increment property tax, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Governmental Fund Financial Statements, Continued

government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

E. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

F. Budgetary Policy and Control

Budget amounts are reported as originally adopted and as further amended by the Board of Directors. The Differences between the budgetary basis and GAAP fund balances as of June 30, 2002 were as follows:

	Major Funds		
	Low & Mod Income Housing	Bayfront/Town Centre I	Town Centre II Otay Valley Southwest Merged Projects
Fund balances - budgetary basis	\$ 9,194,450	\$ 965,357	\$ (23,270,226)
Encumbrances outstanding at year-end	33,870	-	-
Fund balances - GAAP basis	\$ 9,228,320	\$ 965,357	\$ (23,270,226)

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

H. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Tax Revenues

Incremental property tax revenues represent property taxes in each project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from each project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid, all property taxes from the project area revert back to the various taxing authorities.

J. Low and Moderate Income Housing

The California Health and Safety Code requires Agency project areas to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

K. Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	25 years
Improvements other than buildings	15 years
Machinery and equipment	5-20 years

L. Net Assets

Government-Wide

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets, Continued

Fund Financial Statements

Fund Equity – Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

M. Implementation of New GASB Pronouncements

In 2002, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

GASB Statement No. 34 is a new financial reporting requirement for local governments in the United States. The Agency has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 37 address selected issues and amends GASB Statement No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These Statements make selective changes including accounting for Escheat Property, Management's Discussion and Analysis, Capitalization of Construction – Period Interest, Modified Approach for Reporting Infrastructure, Program Revenues and Major Fund Criteria.

GASB Statement No. 38 establishes and modifies disclosure requirements related to Summary of Significant Accounting Policies, actions taken to address violations of significant finance – related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2002 consisted of the following:

Cash and investments pooled with the City	\$ 6,952,563
Restricted cash and investments	2,881,185
Cash and investments with fiscal agents	<u>13,244,622</u>
Total cash and investments	<u>\$ 23,078,370</u>

The Agency has pooled its cash and investments with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents.

The investments made by the Agency are limited to those allowable under State statutes and include the following types of investments:

U.S. Government Securities
Bankers' Acceptances
Commercial Paper
Medium-Term Notes
Repurchase Agreements
Deposits with Banks
State of California Local Agency Investment Fund

See the City's Comprehensive Annual Financial Report for disclosures related to cash and investments and the related custodial risk categorization.

3. LAND HELD FOR RESALE

Land held for resale is recorded in special revenue and capital projects funds at the lower of cost or estimated net realizable value. The available fund balance is reserved in an amount equal to the carrying value of land and buildings held for resale because such assets are not available to finance the Agency's current operations. The amount recorded as assets held for resale and the corresponding fund balance reserved as of June 30, 2002, was \$9,143,638.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

4. LOANS RECEIVABLE

At June 30, 2002, the Agency had the following loans receivable:

South Bay Community Services	\$ 887,995
South Bay Community Villas, L.P.	4,400,000
Chula Vista Rehabilitation CHIP Loans	3,530,947
Civic Center Barrio Housing Corporation Loan	272,008
Scripps Memorial Hospital Loan	300,000
Mobile Home Assistance Programs	82,282
Chelsea Investment Corporation/Sunbow Services	1,662,152
Total	\$ 11,135,384

South Bay Community Services

The Agency entered into a loan agreement with South Bay Community Services, a California non-profit public benefit corporation. The loan amount of \$478,200 was made to enable South Bay Community Services to develop a 40-unit affordable multi-family housing rental project to provide housing to low income families. The note is secured by a deed of trust on certain property and assignments of rents. Interest accrues annually at 3% of the unpaid principal balance of the note. Interest of \$69,325 has been deferred at June 30, 2002. The outstanding balance is \$478,200.

The Agency entered into a loan agreement with South Bay Community Services for the acquisition of property located at 1536 Concord Way for a domestic violence shelter site, other transitional living programs or housing for very low income families. The loan is secured by a deed of trust and a promissory note for the properties on behalf of the Agency. Repayment of the loan is limited to annual payment based on residual receipts. Interest of \$7,893 has been deferred at June 30, 2002. The outstanding balance is \$36,795.

The Agency entered into a \$300,000 loan agreement with South Bay Community Services for the acquisition of a real property at 746 ADA Street, and improving it with a multi-family residential project consisting of 11 units. These units, called the Trolley Trestle, will provide affordable housing for low income young adults who have completed the County of San Diego Foster Care program. The loan is secured by a Deed of Trust and Security Agreement and will accrue 3% interest. Payment of principal and interest will be made from 50% of residual receipts for 55 years. Interest of \$21,352 has been deferred at June 30, 2002. The outstanding balance is \$373,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

4. LOANS RECEIVABLE, Continued

South Bay Community Villas, L.P.

The City entered into a loan agreement with South Bay Community Villas, L.P. for the development of the Heritage Town Center multi-family rental housing project. Agency assistance is in the form of residual receipt loan secured by a promissory note and deed of trust. The outstanding principal and interest on the loan will be repaid over fifty five years and shall accrue interest at 3% per annum. Payment of principal and interest on the Agency loan shall be made on an annual basis, out of a fund equal to fifty percent of the net cash flow of the project (residual receipts) after debt service on bonds, payment of deferred developers fee, and reasonable operating expense have been paid. Fund balance has been reserved in the Low and Moderate Income Housing Fund. The outstanding balance of the loan as of June 30, 2002 is \$4,400,000. Interest of \$73,710 has been deferred at June 30, 2002.

Chula Vista Rehabilitation CHIP Loans

The Chula Vista Rehabilitation Community Housing Improvement Program (CHIP) is under the direct control of the Agency. CHIP offers deferred and low interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. The program was originally funded entirely with Community Development Block Grant Federal funds. In recent years, the Agency began supplementing the program due to decreased availability of Federal grants. The outstanding principal balances of the CHIP loans is \$3,530,947 as of June 30, 2002. Fund balance has been reserved in the special revenue funds due to the long-term nature of the loans. Interest of \$228,926 was deferred as of June 30, 2002.

Civic Center Barrio Housing Corporation Loan

In 1991, the Agency entered into a loan agreement with the Civic Center Barrio Housing Corporation, a California non-profit public benefit corporation. The loan was made for the purchase of land and the development of a 28-unit low income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., a California limited partnership in which Civic Center Barrio Housing Corporation is the managing general partner. The loan is secured by a deed of trust on the property and assignment of rents. Principal and interest are payable monthly. Interest accrues annually at 5% of the unpaid principal balance of the note. Fund balance has been reserved in the Redevelopment Agency Special Revenue Fund. The outstanding amount is \$272,008.

Scripps Memorial Hospital Loan

The Agency entered into agreements with Scripps Memorial Hospital (Scripps), a California non-profit corporation. The loan was made so Scripps could provide relocation assistance to Rollerskateland as part of Scripps expansion in the City. The loan is an unsecured promissory note. Interest accrues annually at 4.5% through December 1987 and 8% for the remaining period; interest is due and payable December 20, 2004. The loan may be required to be paid earlier in the event of default. Fund balance has been reserved in the Redevelopment Agency Capital Projects Fund. The outstanding balance is \$300,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

4. LOANS RECEIVABLE, Continued

Mobile Home Assistance Programs

The Agency entered into agreements with eligible residents of the Orange Tree Mobilehome Park, whereby the Agency loaned \$250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobilehome property. The loans are secured by deeds of trust on the property and mature in 2017 or when the property is sold. Contingent interest will be charged based on calculations specified in the agreement. Fund balance has been reserved in the Redevelopment Agency Special Revenue Fund. The outstanding amount is \$82,282.

Chelsea Investment Corporation/Sunbow Services Co., LLC

The Agency entered into a residual receipts loan agreement with Chelsea Investment Corporation/Sunbow Services Company, LLC for the development of the proposed 132 unit Villa Serena senior affordable housing project. The loan amount of \$275,000 was funded by the Agency's Low & Moderate Income Housing Fund. Terms of the loan will be for 52 years at 6% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 90% of the "Residual Receipts." Interest of \$51,058 has been deferred at June 30, 2002, (See Note 7). The outstanding balance is \$275,000.

The Agency entered into a loan agreement with Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit Pear Tree Apartments at 1025 Broadway. All units will be affordable to low income households. The loan is secured by a deed of trust and will accrue 6% interest for 52 years. Payment of principal and interest shall be made on an annual basis out of a fund equal to 90% of the residual receipts. Interest of \$168,282 has been deferred at June 30, 2002, (See Note 7). The outstanding balance is \$1,387,152.

5. LEASES RECEIVABLE

The Agency has entered into lease agreements in connection with the City's Certificates of Participation. The City's annual lease payments to the Agency are equal to the annual debt service requirements on the outstanding Certificates of Participation.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2002 were as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	\$ 7,546,911	\$ -	\$ -	\$ 7,546,911
Buildings	2,618,126	-	(10,000)	2,608,126
Machinery and equipment	305,620	-	(29,658)	275,962
Improvements other than buildings	31,479	-	(31,479)	-
	10,502,136	-	(71,137)	10,430,999
Accumulated depreciation	(923,410)	(52,163)	30,875	(944,698)
Total	\$ 9,578,726	\$ (52,163)	\$ (40,262)	\$ 9,486,301

7. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2002 were as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Note payable	\$ 413,941	\$ -	\$ (98,657)	\$ 315,284
Tax allocation bonds	43,855,000	-	(525,000)	43,330,000
Certificates of participation	11,985,000	-	(1,285,000)	10,700,000
Total	\$ 56,253,941	\$ -	\$ (1,908,657)	\$ 54,345,284

A. Note Payable

In June 1995, the Agency entered into a note payable with Cypress Creek Co., in order to provide for reimbursement of the Agency agreed-upon share of site acquisition costs under the Palomar Trolley Center Disposition and Development Agreement. Installments payments of principal and interest will be payable within 30 days of Agency receiving "Detailed Reports" from the State Board of Equalization itemizing the sources of the State Board of Equalization reconciliation payment for "Sales Tax Revenues." The Agency will remit an amount equal to 30% of the sales tax revenues generated by the project until the unpaid principal balance plus any accrued interest is paid in full. Simple interest accrues at rate of 7% annually. The balance was \$315,284 as of June 30, 2002.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. LONG-TERM DEBT, Continued

B. Tax Allocation Bonds

	Balance July 1, 2001	Debt Issued	Debt Retired	Balance June 30, 2002
1994 Senior Tax Allocation Refunding Bonds, Series A	\$ 13,880,000	\$ -	\$ (225,000)	\$ 13,655,000
1994 Senior Tax Allocation Refunding Bonds, Series D	5,390,000	-	(75,000)	5,315,000
1994 Subordinate Tax Allocation Refunding Bonds, Series C	7,585,000	-	(125,000)	7,460,000
2000 Tax Allocation Bonds	17,000,000	-	(100,000)	16,900,000
Total	\$ 43,855,000	\$ -	\$ (525,000)	\$ 43,330,000

1994 Senior Tax Allocation Refunding Bonds, Series A

In November 1994, the Agency issued \$14,810,000 1994 Senior Tax Allocation Refunding Bonds, Series A, to refund the 1986 Tax Allocation Bonds. The bonds consist of \$1,585,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$185,000 to \$275,000 and \$12,885,000 term bonds which mature in 2024. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 5.85% to 7.625%. Bonds maturing on or after September 1, 2006, are subject to optional redemption on any interest payment date on or after September 1, 2005, at various redemption prices. The balance outstanding as of June 30, 2002, was \$13,655,000.

The annual debt service requirements for the 1994 Senior Tax Allocation Refunding Bonds, Series A outstanding at June 30, 2002, were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 240,000	\$ 1,027,751	\$ 1,267,751
2004	255,000	1,010,254	1,265,254
2005	275,000	991,969	1,266,969
2006	295,000	971,235	1,266,235
2007	315,000	947,978	1,262,978
2008-2012	1,980,000	4,324,519	6,304,519
2013-2017	2,860,000	3,411,806	6,271,806
2018-2022	4,125,000	2,094,397	6,219,397
2023-2025	3,310,000	390,781	3,700,781
Total	\$ 13,655,000	\$ 15,170,690	\$ 28,825,690

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. LONG-TERM DEBT, Continued

B. Tax Allocation Bonds, Continued

1994 Senior Tax Allocation Refunding Bonds, Series D

In February 1996, the Agency issued \$5,680,000 1994 Senior Tax Allocation Refunding Bonds, Series D, to refund the Agency's Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series B. The 1994 Bonds, Series B, were paid off with the bond proceeds. The bonds are term bonds, which mature in 2024. Interest is payable semi-annually on March 1 and September 1 at 8.625%. The bonds are subject to redemption prior to maturity on any interest payment date, on or after September 1, 2006, at various redemption prices. The bonds are subject to mandatory sinking fund redemption prior to maturity, in part, by lot on September 1, 1997, and on each September 1 thereafter, without premium, from 1988 to 2024 in amounts ranging from \$60,000 to \$495,000. The balance outstanding at June 30, 2002, was \$5,315,000.

The annual debt service requirements outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 80,000	\$ 454,968	\$ 534,968
2004	90,000	447,637	537,637
2005	95,000	439,659	534,659
2006	105,000	431,034	536,034
2007	110,000	421,762	531,762
2008-2012	720,000	1,940,624	2,660,624
2013-2017	1,090,000	1,554,656	2,644,656
2018-2022	1,655,000	971,391	2,626,391
2023-2025	1,370,000	183,713	1,553,713
Total	<u>\$ 5,315,000</u>	<u>\$ 6,845,444</u>	<u>\$ 12,160,444</u>

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. LONG-TERM DEBT, Continued

B. Tax Allocation Bonds, Continued

1994 Subordinate Tax Allocation Refunding Bonds, Series C

In November 1994, the Agency issued \$8,195,000 1994 Subordinate Tax Allocation Refunding Bonds, Series C, to refund the 1986 Tax Allocation Bonds. The bonds consist of \$930,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$100,000 to \$145,000 and term bonds of \$2,255,000 and \$4,925,000 which mature in 2014 and 2024, respectively. Interest is payable semi-annually on May 1 and November 1 at interest rates ranging from 5.95% to 8.25%. The bonds are subject to optional redemption on any interest payment date on or after May 1, 2005 at various redemption prices. The balance outstanding at June 30, 2002, was \$7,460,000.

The annual debt service requirements outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 135,000	\$ 607,158	\$ 742,158
2004	145,000	597,370	742,370
2005	155,000	586,712	741,712
2006	170,000	574,312	744,312
2007	180,000	560,712	740,712
2008-2012	1,150,000	2,561,962	3,711,962
2013-2017	1,695,000	2,018,975	3,713,975
2018-2022	2,510,000	1,198,725	3,708,725
2023-2025	1,320,000	165,413	1,485,413
Total	\$ 7,460,000	\$ 8,871,339	\$ 16,331,339

2000 Tax Allocation Bonds

In October 2000, the Agency issued \$17,000,000 2000 Tax Allocation Bonds, to provide funds to fund a reserve account, to pay expenses of the Agency in connection with the issuance of the bonds and to finance or refinance certain redevelopment activities. The bonds consist of \$9,535,000 serial bonds which mature from 2001 to 2030 in amounts ranging from \$100,000 to \$715,000 and term bonds of \$1,440,000 and \$6,025,000 which mature in 2022 and 2029, respectively. Interest is payable semi-annually on March 1 and September 1 at interest rates ranging from 4.30% to 5.375%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2004, at various redemption prices. The balance outstanding at June 30, 2002, was \$16,900,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. LONG-TERM DEBT, Continued

B. Tax Allocation Bonds, Continued

The annual debt service requirements for the 2000 Tax Allocation Bonds outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 125,000	\$ 853,180	\$ 978,180
2004	135,000	847,590	982,590
2005	360,000	836,948	1,196,948
2006	375,000	821,145	1,196,145
2007	390,000	804,697	1,194,697
2008-2012	2,210,000	3,748,712	5,958,712
2013-2017	2,655,000	3,175,681	5,830,681
2018-2022	3,170,000	2,443,197	5,613,197
2023-2027	4,115,000	1,479,862	5,594,862
2028-2031	3,365,000	333,116	3,698,116
Total	\$ 16,900,000	\$ 15,344,128	\$ 32,244,128

C. Certificates of Participation

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
1993 Refunding COP	\$ 8,235,000	\$ -	\$ (495,000)	\$ 7,740,000
1993 COP	2,415,000	-	(135,000)	2,280,000
1996 COP ABAG37, Series A	1,335,000	-	(655,000)	680,000
Total	\$ 11,985,000	\$ -	\$ (1,285,000)	\$ 10,700,000

1993 Refunding Certificates of Participation

In March 1993, the Agency issued \$11,285,000 1993 Refunding Certificates of Participation to advance refund the 1987 Series Certificates of Participation. The certificates mature in amounts ranging from \$425,000 in 1998 to \$925,000 in 2012. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 4.80% to 6%. The certificates maturing after September 1, 2003 are subject to redemption at premiums ranging from zero to 2%. The outstanding balance at June 30, 2002, was \$7,740,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. LONG-TERM DEBT, Continued

C. Certificates of Participation, Continued

The annual debt service requirements for the 1993 Refunding Certificates of Participation outstanding at June 30, 2002, were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 525,000	\$ 441,508	\$ 966,508
2004	550,000	411,670	961,670
2005	585,000	379,598	964,598
2006	610,000	345,235	955,235
2007	655,000	308,223	963,223
2008-2012	3,890,000	917,700	4,807,700
2013	925,000	27,750	952,750
Total	\$ 7,740,000	\$ 2,831,684	\$ 10,571,684

1993 Certificates of Participation

In December 1993, the Agency issued \$3,115,000 1993 Refunding Certificates of Participation to provide capital improvements in the Town Centre II Redevelopment Project area. The net proceeds of \$2,600,000 were paid to Homart Development Co., for construction of a public parking facility. The certificates mature in amounts ranging from \$125,000 in 1998 to \$250,000 in 2013. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 4.20% to 5.8%. The certificates maturing after September 1, 2003, are subject to redemption at premiums ranging from zero to 2%. The outstanding balance at June 30, 2002, was \$2,280,000.

The annual debt service requirements for the 1993 Certificates of Participation outstanding at June 30, 2002, were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 140,000	\$ 122,588	\$ 262,588
2004	150,000	115,263	265,263
2005	155,000	107,408	262,408
2006	165,000	99,005	264,005
2007	170,000	90,042	260,042
2008-2012	1,010,000	292,372	1,302,372
2013-2014	490,000	28,710	518,710
Total	\$ 2,280,000	\$ 855,388	\$ 3,135,388

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. LONG-TERM DEBT, Continued

C. Certificates of Participation, Continued

1996 Certificates of Participation ABAG37, Series A

In July 1996, the Agency issued \$4,315,000 1996 Certificates of Participation ABAG37, Series A, to advance refund the 1987 Certificates of Participation. The certificates mature from 1998 to 2002 in annual installments ranging from \$580,000 to \$680,000. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 3.7% to 4.75%. The certificates are subject to extraordinary redemption prior to maturity from net proceeds of insurance, title insurance, condemnation, or eminent domain award without premium. The outstanding balance at June 30, 2002, was \$680,000.

The annual debt service requirements for the 1996 Certificates of Participation ABAG37, Series A outstanding at June 30, 2002, were as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 680,000	\$ 16,150	\$ 696,150
Total	<u><u>\$ 680,000</u></u>	<u><u>\$ 16,150</u></u>	<u><u>\$ 696,150</u></u>

8. DEFERRED REVENUE

Deferred revenue as of June 30, 2002 was reported as follows:

Interest receivable on:	
Loans receivable:	
South Bay Community Services	\$ 172,280
CHIP	228,926
Chelsea Investment	219,340
Advances to component unit	1,540,752
Advances to other funds	2,316,575
Leases receivable	<u>10,700,000</u>
Total deferred revenue	<u><u>\$ 15,177,873</u></u>

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

9. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

During the fiscal year 2002, the Agency implemented GASB Statement No. 34 which resulted in the following adjustments. Also the Agency recorded some prior period adjustments to record last year GASB Statement No. 31, reverse last year interest accrual and to record some advances.

	Net Assets as Previously Reported	GASB 34 Adjustments		Prior Period Adjustments	Net Assets as Restated
		Capital Assets	Long-term Debt		
Government-Wide Activities:					
Net assets	\$ 62,059,543	\$ 9,578,726	\$ (56,253,941)	\$ (34,938,767)	\$ (19,554,439)
Total government-wide activities	<u>\$ 62,059,543</u>	<u>\$ 9,578,726</u>	<u>\$ (56,253,941)</u>	<u>\$ (34,938,767)</u>	<u>\$ (19,554,439)</u>

B. Fund Financial Statements

The Agency recorded the following prior period adjustments to record last year GASB Statement No. 31 and to correct some accounting errors.

	Fund Balance as Previously Reported	Prior Period Adjustments	Fund Balance as restated
Low and Mod Income Housing	\$ 8,546,925	\$ 33,091	\$ 8,580,016
Bayfront/Town Centre I	4,704,481	(2,822,359)	1,882,122
Town Centre II Otay Valley Southwest Merged Projects	2,510,321	(31,055,579)	(28,545,258)
Bayfront/Town Centre I	20,167,117	5,462	20,172,579
Town Centre II Otay Valley Southwest Merged Projects	20,131,132	23,837	20,154,969
Non-major governmental funds	5,999,566	362	5,999,928
Total governmental activities	<u>\$ 62,059,542</u>	<u>\$ (33,815,186)</u>	<u>\$ 28,244,356</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information
For the year ended June 30, 2002

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors prior to the first day of the fiscal year. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the Executive Director, and a final Executive Director recommended budget that is transmitted to the Board of Directors for its review before the required date of adoption. Once transmitted to the Board of Directors, the proposed budget is made available for public inspection. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires Board of Directors approval. The Executive Director and Finance Director are jointly authorized to transfer appropriations within a departmental budget. Any appropriation transfers between departments require Board of Directors approval.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. All appropriations which are not obligated, encumbered or expended at the end of the fiscal year lapse become a part of the unreserved fund balance which may be appropriated for the next fiscal year.

An annual budget for the year ended June 30, 2002, was adopted and approved by the Board of Directors for the special revenue and debt service funds. These budgets are prepared on the modified accrual basis of accounting except that encumbrances outstanding at year-end are considered as expenditures. The budgets of the capital projects funds are primarily long-term budgets, which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of these projects, annual budget comparisons are not considered meaningful, and accordingly, no budgetary information for capital projects funds is included in the accompanying basic financial statements.

Budget amounts are reported as originally adopted and as further amended by the Board of Directors. The Differences between the budgetary basis and GAAP fund balances as of June 30, 2002 were as follows:

	Major Funds		
	Low & Mod Income Housing	Bayfront/Town Centre I	Town Centre II Otay Valley Southwest Merged Projects
Fund balances - budgetary basis	\$ 9,194,450	\$ 965,357	\$ (23,270,226)
Encumbrances outstanding at year-end	33,870	-	-
Fund balances - GAAP basis	\$ 9,228,320	\$ 965,357	\$ (23,270,226)

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2002

Budgetary Comparison Schedule, Low & Mod Income Housing

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	\$ 8,580,016	\$ 8,580,016	\$ 8,580,016	\$ -
Resources (inflows):				
Taxes	1,353,478	1,353,478	1,293,521	(59,957)
Use of money and property	302,210	302,210	265,123	(37,087)
Intergovernmental	-	-	73,718	73,718
Transfers from other funds	79,830	79,830	-	(79,830)
Total Resources	1,735,518	1,735,518	1,632,362	(103,156)
Amount available for appropriation	10,315,534	10,315,534	10,212,378	(103,156)
Charges to appropriations (outflows):				
General government	621,579	6,866,167	1,012,033	5,854,134
Transfers to other funds	5,895	5,895	5,895	-
Total charges to appropriations	627,474	6,872,062	1,017,928	5,854,134
Excess of resources over (under) charges to appropriations	1,108,044	(5,136,544)	614,434	(5,957,290)
Fund balance, June 30	\$ 9,688,060	\$ 3,443,472	\$ 9,194,450	\$ (5,957,290)

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2002

Budgetary Comparison Schedule, Bayfront/Town Centre I Debt Service

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	\$ 1,882,122	\$ 1,882,122	\$ 1,882,122	\$ -
Resources (inflows):				
Taxes	2,551,496	2,551,496	2,097,500	(453,996)
Use of money and property	59,740	59,740	261,956	202,216
Transfers from other funds	551,055	551,055	533,296	(17,759)
Total resources	3,162,291	3,162,291	2,892,752	(269,539)
Amount available for appropriation	5,044,413	5,044,413	4,774,874	(269,539)
Charges to appropriations (outflows):				
General government	21,738	21,738	11,851	9,887
Non-departmental:				
Principal	932,625	932,625	932,625	-
Interest and fiscal charges	2,168,810	2,168,810	2,331,745	(162,935)
Transfers to other funds	-	-	533,296	(533,296)
Total charges to appropriations	3,123,173	3,123,173	3,809,517	(686,344)
Excess of resources over (under) charges to appropriations	39,118	39,118	(916,765)	(955,883)
Fund balance, June 30	\$ 1,921,240	\$ 1,921,240	\$ 965,357	\$ (955,883)

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2002

Budgetary Comparison Schedule, Town Centre II Otay Valley Southwest Merged Projects Debt Service

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	\$ (28,545,258)	\$ (28,545,258)	\$ (28,545,258)	\$ -
Resources (inflows):				
Taxes	981,867	981,867	980,868	(999)
Use of money and property	-	-	120,327	120,327
Transfers from other funds	1,543,708	1,543,708	9,352,447	7,808,739
Total Resources	2,525,575	2,525,575	10,453,642	7,928,067
Amount available for appropriation	(26,019,683)	(26,019,683)	(18,091,616)	7,928,067
Charges to appropriations (outflows):				
General government	12,463	12,463	9,955	2,508
Non-departmental:				
Principal	998,022	998,022	976,032	21,990
Interest and fiscal charges	1,495,679	1,495,679	2,777,875	(1,282,196)
Transfers to other funds	-	-	1,414,748	(1,414,748)
Total charges to appropriations	2,506,164	2,506,164	5,178,610	(2,672,446)
Excess of resources over (under) charges to appropriations	19,411	19,411	5,275,032	5,255,621
Fund balance, June 30	\$ (28,525,847)	\$ (28,525,847)	\$ (23,270,226)	\$ 5,255,621

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